



Enroll in Tax\$ave and Keep More of What You Earn

The Tax\$ave 2005 Open Enrollment period begins on **October 1, 2004** and ends on **November 1, 2004**. Tax\$ave Open Enrollment is your opportunity to save tax dollars in the 2005 tax year with the **Premium Option Plan** and the two Flexible Spending Accounts (FSAs) — the **Unreimbursed Medical Spending Account** and the **Dependent Care Spending Account**.

Enrollment in the Premium Option Plan component of Tax\$ave is automatic every year. The Flexible Spending Accounts require active enrollment each year. There are a variety of easy ways to enroll.

- ✓ You may enroll over the phone by calling Horizon Healthcare's automated voice response system at 1-800-224-4426 (October 1 – November 1, 2004).
- ✓ You may enroll over the Internet during the same time period at: www.state.nj.us/treasury/pensions/taxsave.htm and follow the link to the Horizon Healthcare Web site.
- ✓ You can enroll by obtaining an enrollment kit from your benefits administrator. These forms must be postmarked by November 1, 2004, in order to enroll for the 2005 plan year.

For more information about the Tax\$ave plans, see the *Premium Option Plan* and *Savings You Can Bank On* fliers that accompanied this newsletter along with your paycheck, or visit the Tax\$ave Web page at: www.state.nj.us/treasury/pensions/taxsave.htm

NEW! Over-the-Counter Medications Now Covered

Over-the-counter drugs now qualify for reimbursement in the **Unreimbursed Medical Spending Account**. The Internal Revenue Service ruled that over-the-counter products/medications deemed for "medical care" will be considered reimbursable. "Medical care" includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease. Amounts paid for medicines and drugs are expenditures for medical care, but expenditures that are merely beneficial to the general health of an individual, such as vitamins and other supplements, are not eligible.

For a list of expenses that are eligible under the Unreimbursed Medical Spending Account and Dependent Care Spending Account, please visit the Horizon Healthcare Web site.

NEW! FSA Assist — Medical Expense Planning Tool

FSA Assist is an innovative, online service from Horizon Healthcare and Milliman USA for use when enrolling in the Tax\$ave **Unreimbursed Medical Spending Account**. FSA Assist helps you estimate your out-of-pocket costs for medical, dental, and vision coverage in a format that is quick to use and easy to understand. This information can then be used to:

- ✓ Help you take the guesswork out of enrolling in the Unreimbursed Medical Spending Account – Quickly see an estimate of your expected costs.
- ✓ Save you tax dollars – Flexible Spending Account contributions reduce taxable income saving you federal and FICA income taxes.
- ✓ Help you understand and budget your out-of-pocket healthcare expenses – More information at your control lets you plan better.

FSA Assist gives you custom results based on your unique characteristics and benefit plans. Instead of trying to remember deductibles, coinsurance, and copayment amounts, you simply select your plan and FSA Assist will incorporate these and many other plan elements into the estimate.

To use FSA Assist, go to the Tax\$ave home page at: www.state.nj.us/treasury/pensions/taxsave.htm and follow the link to the Horizon Healthcare Web site. There you will find a link to FSA Assist. When you use FSA Assist, enter the access code "STNJ" to identify yourself as a Tax\$ave member. FSA Assist will then prompt you for the information it needs to complete your estimate.

Benny Card Available with FSA Enrollment

Tax\$ave **Unreimbursed Medical Spending Accounts** now include the Benny™ Card; a special MasterCard® that draws on the value of your annual Unreimbursed Medical Spending Account election amount. Using Benny is simple because funds are immediately transferred from your Unreimbursed Medical Spending Account at the time you incur a qualifying expense; improving your cash flow because you don't have to lay out cash at the time of purchase. You can use the Benny Card for qualifying expenses, such as covered prescription copayments, health plan deductibles, orthodontics, doctor and emergency room copayments, eyeglasses, Lasik surgery, and uncovered dentist or other provider fees. The Benny Card is included free when you sign up for an Unreimbursed Medical Spending Account during Tax\$ave 2005.

Direct Deposit Available for FSA Payments

Horizon Healthcare offers direct deposit of reimbursement payments from your **Unreimbursed Medical Spending Account** and **Dependent Care Spending Account**. Call Horizon Healthcare at 1-800-224-4426 for more information or to request a direct deposit application form.

FSAs Have Minimal Impact on Social Security

Since payments to the **Flexible Spending Accounts** and benefits premium payments under **Premium Option Plan** are not subject to Social Security deductions, some members have opted not to participate in Tax\$ave because it would reduce their Social Security benefit. This may not be a good financial decision.

For example, consider an employee who retired in 1998 at age 65 and whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual's monthly Social Security allowance was \$1,343.

If the same person had been contributing \$2,000 a year to a Flexible Spending Account for the last 10 years of employment, the tax savings would amount to \$353 – \$653 per year (depending on the person's tax bracket).

By contrast, the subsequent reduction in Social Security wages would have produced a monthly Social Security allowance of \$1,335, a difference of \$8 per month (\$96 per year).

Compare the two, and you can decide for yourself if this is reason enough to choose against saving on taxes now!

Impact of Domestic Partnerships on Tax\$ave

Beginning July 10, 2004, State employees were able to add a same-sex domestic partner to their health and dental insurance coverage. The domestic partner must be able to qualify as a "tax dependent" of the employee for federal tax filing purposes — under Internal Revenue Code Section 152 — before any premiums that the employee pays for the domestic partner coverage can be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**. Similarly, the domestic partner must qualify as the employee's tax dependent before an out-of-pocket medical expense incurred by the domestic partner can be reimbursed under the **Unreimbursed Medical Spending Account**. See IRS *Tax Topic 354 - Dependents* for additional information on the requirements for establishing dependent status for federal tax purposes.

If the domestic partner is not a "qualified tax dependent" of the employee, any premium deductions made for the domestic partner's coverage must be made on an after-tax basis and funds in the Unreimbursed Medical Spending Account cannot be used to cover the domestic partner's medical expenses.

Additional information about the recently enacted New Jersey Domestic Partnership Act can be found in Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, which is available on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

Commuter Tax\$ave Program

Tax savings on commuter mass transit and parking expenses are available anytime of the year as a separate benefit to State employees under the **Commuter Tax\$ave Program**. See Fact Sheet #67, *Commuter Tax\$ave Program*, for details.

NJ Division of Pensions and Benefits

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Access Tax\$ave forms and interactive calculation tools by visiting Horizon through a link at: www.state.nj.us/treasury/pensions/taxsave.htm